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SUBJECT: CHAVEZ COURTS SPANISH SOCIALISTS; LEAVES POLITICAL  
TURMOIL AND ECON PROMISES IN HIS WAKE

Classified By: Political Counselor Kathy Fitzpatrick for reasons 1.5 (B  
) and (D)

1. (C) SUMMARY: Venezuelan President Hugo Chavez visited Spain November 21-23, in a trip that was touted by the Spanish government as primarily economic in nature. Chavez commenced his stay by stating that good relations with Spain "have become of strategic importance" and that he "welcomes the new course" of the Spanish government. Chavez also made three economic announcements, which concerned petroleum production and possible contracts for Izar, the troubled Spanish shipbuilder. During Chavez's visit, Spanish Foreign Minister Miguel Angel Moratinos stated during a television interview that the previous Aznar government had supported the 2002 coup against Chavez in cooperation with the US government. Moratinos' statements led to the Partido Popular (PP) calling for his resignation and threatening to break off cooperation with the Zapatero government. Chavez departed November 23, continuing on a tour that included stops in Libya, Russia, Iran and Qatar, but returned on November 30 for a private dinner with King Juan Carlos. In the Spanish Congress December 1, Moratinos said that he had not meant to indicate the Aznar government was involved in the coup attempt; rather, that the Aznar government should have condemned the attempt and did not do so. Moratinos did not mention the U.S. in his appearance, except to refer to Washington having joined in the OAS's condemnation of the coup attempt. While Deputy Foreign Minister Bernardino Leon told Charge November 29 that the Zapatero government had firmly conveyed the messages to Chavez that the Secretary had suggested to Moratinos in their phone call, MFA Director General for Latin American Affairs Sandomingo told us that Chavez had not responded substantively to these messages. Sandomingo indicated that these issues arose during Chavez's meeting with Moratinos, and that the Zapatero meeting was mainly ceremonial, and focused on economic issues. END SUMMARY.

//COURTING THE SOCIALISTS//

2. (U) Chavez arrived in Spain on November 21, greeted by about 200 supporters. During a memorial service for the victims of the March 11 train bombings, Chavez gave a speech in which he stated that stronger relations with Spain "have become of strategic importance" and that he "welcomes the new course" of the Spanish government. On November 22, Chavez began his day by delivering an anti-imperialism speech at a local university. He criticized the foreign policy of the previous Aznar government stating, "It was sad that Spain was subordinate to Washington and how nice it is to now see a free, happy and independent Spain with new ideas." Chavez also stated that the US "appeared to be predestined to plague America with misery in the name of liberty" and said, "we reject the war in Iraq, we reject any type of attack, we reject the sanctions against Cuba and any kind of threat to the people of Iran." After his speech, Chavez met with the President of the Chamber of Deputies Manuel Marin, and then with Zapatero. That evening, Chavez attended a social gathering with left-wing artists, politicians and journalists during which he publicly praised Cuban leader Fidel Castro and Argentinean President Nestor Kirchner. On November 23, Chavez attended a meeting with Defense Minister Jose Bono, which resulted in a general agreement on increased military cooperation between the two countries with details to be determined at a later date.

//ECONOMIC ANNOUNCEMENTS//

3. (U) In 2003, Spanish exports to Venezuela fell 48 percent, from EUR 616mil (800.8mil USD) to EUR 320mil (416mil USD), while imports from Venezuela dropped 58 percent. Chavez had been expected to announce the formation of the first ever joint venture company in the Venezuelan oil industry, but negotiations did not conclude before his trip. The venture, which includes state-owned Petroleos de Venezuela (PDVSA) and Spain's largest oil firm Repsol-YPF, will aim to improve oil and gas production in the Lake Maracaibo region, where both companies maintain oil fields. Under Venezuelan law, Repsol-YPF would be limited to 49 percent of the joint venture company's capital. During his visit, Chavez made three significant economic announcements. First, that the GOV is considering giving priority to the Spanish shipbuilder Izar for repairing petroleum tankers. As a result, it is likely that the GOV will send two tankers to Spain in early 2005 for repairs. Second, Chavez announced

that the PDVSA might contract with Izar for the construction of three new petroleum tankers. The deal would be worth an estimated EUR 150mil (195mil USD) and would provide three years worth of work for Izar. Finally, Chavez announced that Venezuela would not support any proposed reductions in oil production at the next OPEC summit. After his meeting with the Zapatero, Chavez skipped a scheduled speech that was to be delivered to over 200 businessmen at the Spanish Chamber of Commerce. In his place, Venezuelan Commerce Secretary Wilmar Castro addressed the group and urged them to invest in Venezuela. Chavez also met with President of the Spanish Business Association Jose Maria Cuevas. In his meeting with Chavez, Cuevas reportedly stressed that legal security and political stability were key to business investment in Venezuela. Cuevas also reportedly stressed the importance of open dialogue with Venezuelan business leaders, mentioning the business group Federcamaras specifically. The Federcamaras leader, Pedro Carmona, led the coup against Chavez in 2002 and is currently in exile.

//SPANISH FM WEIGHS IN//

14. (U) In a related development on November 22, Spanish Foreign Minister Miguel Angel Moratinos announced during a televised interview with the program 59 segundos that the previous Aznar government had supported the 2002 coup against Chavez in cooperation with the U.S. government. Moratinos stated that the Foreign Ministry had sent instructions to the Spanish ambassador to Venezuela to support the coup and to participate in a joint meeting with the US ambassador and the Venezuelan opposition leader. The Moratinos statement caused a furor in the Spanish press and has led to public condemnation by the opposition party, Partido Popular (PP). The PP called for Moratinos' resignation and threatened to break off all cooperation with the Zapatero government if a public retraction and apology is not issued. Zapatero and Chavez held a joint press conference the following day, which was marked by both parties' avoidance of questions related to the Moratinos statement in regard to Aznar's support for the Venezuelan coup attempt in 2002. Chavez, who has made the same accusation in the past, stated that it was "a page from the past" and that he would rather speak about his pleasant visit to Spain and business relations. Zapatero refused to elaborate on Moratinos's statements and said that the matter would be explained in front of the Spanish Congress on December 1. On December 1, Moratinos did appear in front of the Spanish Congress and stated that his remarks were not meant to imply that the Aznar government had instigated or participated in the coup, but that the government had given the coup international legitimacy by meeting with its leader. Moratinos then apologized about his choice of words during the television interview, but repeated his assertion that the Aznar government gave international legitimacy to the coup attempt. In response, the PP has stated that they will not meet with Moratinos to reach a pact on foreign policy as he has lost "moral legitimacy".

//SUBSTANCE ON HUMAN RIGHTS, OTHER KEY ISSUES?//

15. (C) Deputy Foreign Minister Bernadino Leon told Charge November 29 in a brief conversation that Moratinos had raised human rights, regional security and other issues the Secretary suggested he convey to Chavez. In a meeting with

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Polcouns November 26, MFA Director General for Latin American Affairs Javier Sandomingo indicated that Chavez had little or no substantive comment for Moratinos on these issues, and that the meeting with Zapatero was largely ceremonial and focused on economic/commercial issues. Leon said that Moratinos would try to phone the Secretary after Chavez return visit November 30 for dinner with King Juan Carlos.

//COMMENTS//

16. (U) Negotiations between Repsol-YPF and PDVSA are expected to conclude within the upcoming weeks. The deal could provide Spanish and EU markets cheaper access to petroleum and natural gas in the future. Venezuela's announcement that they will oppose production cuts at the next OPEC summit should have a positive economic effect on the price of petroleum by soothing investor fears already shaken by the activity in Iraq.

17. (U) Izar continues to be both an economic and a political problem for the Spanish government. A lack of civil contracts, a proposed restructuring that would separate the profitable military component from the struggling civil component, and EU pressure for the refund of illegal government subsidies threaten the employment of approximately 32,000 Spanish shipyard workers, causing Zapatero's first real labor crisis. Shipyard workers have held public demonstrations, some of which have resulted in scattered violence, in several cities. A business deal with PDVSA would not be enough to save the company, but could be a good starting point for eventual economic stability of the civil component. The public announcements about future work for

Izar are seen as Chavez's attempt to provide domestic political assistance to the Zapatero government. However, the non-committal nature of Chavez's statements leaves doubt as to whether they will actually materialize.

18. (U) Chavez's failure to appear at the Chamber of Commerce may have a negative effect on Spanish investment in Venezuela. Apparently, Spanish businesses are skeptical about doing business in Venezuela, especially after the failed 2002 coup. The conversation between Cuevas and Chavez highlights this problem and Chavez's failure to prioritize business interests will not serve to soothe investors' fears. In addition, Chavez's political speeches against the US and comments in support of Zapatero and other socialists have some Spanish political parties worried that he may have worsened U.S.-Spanish relations.

19. (U) The biggest story to arise out of the visit was not Chavez's activities, but the political polemics that emerged following Moratinos' coup support allegation. The normally gregarious Chavez didn't comment on the statement during his joint press conference with Zapatero, leading many to speculate that Zapatero asked him to tone down the rhetoric. The PP has threatened to break off all negotiations with the Zapatero government except for those related to the fight against terrorism and normal institutional functions. Moratinos' statements before Congress will probably have little effect on smoothing over the rift that has grown between the PP and the Zapatero government. Due to the minority nature of the Zapatero government, this could lead to the Socialists' inability to implement their agenda and also threaten Spain's ability to ratify the EU constitution.

MANZANARES